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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING
whether there has been a violation of the
Escrow Agent Registration Act by:

Order No. S-03-228-03-CO01

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Priority Escrow Inc., James H. Fultz,
Respondents.

CONSENT ORDER

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INTRODUCTION

Pursuant to the Escrow Agent Registration Act, chapter 18.44 RCW, the Department of Financial Institutions of the State of Washington, Securities Division, and Respondents Priority Escrow Inc. and James H. Fultz do hereby agree to this Consent Order in settlement of the above captioned matter. Respondents neither admit nor deny the Findings of Fact or Conclusions of Law stated below.

FINDINGS OF FACT

I. Respondents

1. **PRIORITY ESCROW INC.** (“Priority”) was a Washington corporation located at 5611 196th Street SW, Lynnwood, Washington 98036. From approximately March 27, 1997, until December 31, 2001, the Department of Financial Institutions licensed Priority as an escrow agent.
2. **JAMES H. FULTZ** (“Fultz”) owned Priority.

II. Nature of the Conduct

3. In or around March 1997, Priority began conducting business as an escrow agent. Since that time, Priority has held client funds in, and disbursed client funds from, four different escrow trust accounts.

1 4. On or around July 20, 2000, the Department of Financial Institutions conducted an on-site
2 examination of Priority's books and records. The Department found negative balances in certain
3 client subledgers, incomplete reconciliations, overdue checks, and closed escrow transactions with
4 client funds still on deposit. One trust account had a credit balance, not identified to any client,
5 exceeding \$14,000. The Department sent Priority a September 28, 2000, letter requiring Priority to
6 respond to these findings by October 28, 2000. On December 20, 2000, the Department received
7 limited reconciliations, without supporting documents, for two of three trust accounts.

8 5. By letter dated February 8, 2001, the Department gave Fultz a directive to submit a
9 proposal, due February 18, 2001, as to how he would complete the reconciliations. Fultz responded
10 by letter dated February 20, 2001, proposing a six to eight week reconciliation completion date.

11 6. In September 2001, Fultz submitted limited trust account reconciliations. They did not
12 cover all accounts for the entire required period or include the necessary support documents. Fultz
13 stated that the person he had employed to complete the reconciliations had stolen funds.

14 7. By letter dated November 5, 2001, the Department notified Fultz that he had failed to
15 comply with the directives in the Department's February 8, 2001, letter. The Department directed
16 Fultz to submit, by November 20, 2001, complete reconciliations and evidence supporting the claim
17 of theft.

18 8. Fultz did not submit the required reconciliations by the November 20, 2001, deadline.

19 9. On or around April 4, 2002, Fultz submitted additional, but still incomplete, reconciliations
20 that did not cover all accounts for the relevant period and lacked supporting documents.

21 10. By letter dated May 6, 2002, the Department directed Fultz to promptly complete the
22 remainder of the trust account reconciliations. Piecemeal throughout the spring of 2002, Fultz
23

1 submitted to the Department various items related to the reconciliations, which remained
2 incomplete.

3 11. On or around June 20, 2002, the Department held a meeting with Fultz to discuss the
4 outstanding requirements. The parties agreed to a July 15, 2002 completion date for the
5 reconciliations. Until December 4, 2002, Fultz continued to submit piecemeal to the Department
6 various documents related to the reconciliations. However, the Department has not received
7 supporting documents for the reconciliations on any of the four accounts.

8 12. Fultz has caused his remaining credit trust account balances to escheat to the Washington
9 State Department of Revenue.

10 Based upon the above Findings of Fact, the following Conclusions of Law are made:

11
12 **CONCLUSIONS OF LAW**

13 1. The conduct described in the Findings of Fact is in violation of RCW 18.44.310(10)
14 because Priority and/or Fultz failed to make reports and/or statements lawfully required by the
15 director or other public official.

16 2. The conduct described in the Findings of Fact is in violation of RCW 18.44.430(f) because
17 Priority and/or Fultz failed, upon demand, to disclose information within their knowledge to, or to
18 produce any document, book, or record in his or her possession for inspection by, the director or
19 her authorized representatives.

20 3. The conduct described in the Findings of Fact is in violation of RCW 18.44.400(1), WAC
21 208-680D-020(1), and/or WAC 208-680E-011(9) because Priority and/or Fultz failed to keep
22 adequate trust account records, including reconciliations of trust account bank statements, the
23 monthly trial balances of the client ledgers, and the trust account receipts and disbursement records.

1 IT IS FURTHER AGREED that in consideration of the foregoing Respondents Priority
2 Escrow Inc. and James H. Fultz each waive their rights to a hearing in this matter and to judicial
3 review of this order.
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5 SIGNED this 12th day of May, 2004.
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8 Signed by:

9 Priority Escrow Inc.
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11 By /s/
12 James H. Fultz, Owner

13 /s/
14 James H. Fultz, individually
15

16 THIS ORDER SIGNED AND ENTERED THIS 17th DAY OF May, 2004 BY:
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19 MICHEAL STEVENSON
Assistant Director, DFI
20

21 Approved by:

Presented by:

22 

23 Suzanne Sarason
24 Chief of Enforcement
25 CONSENT ORDER



Andrew Ledbetter
Financial Legal Examiner

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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